

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

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April 10, 2002

Mr. Fred Todd, Vice-President Finance  
Loris Community Hospital  
3620 Stevens Street  
Loris, South Carolina 29569

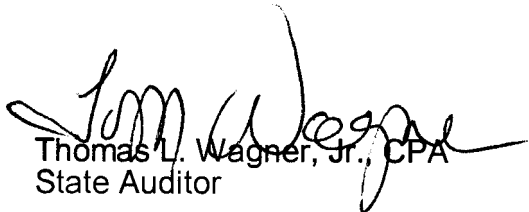
Re: AC# 3-LRS-J7 – Loris Hospital District d/b/a Loris Extended Care Facility

Dear Mr. Todd:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph Hayes

**LORIS HOSPITAL DISTRICT  
D/B/A LORIS EXTENDED CARE FACILITY**

**LORIS, SOUTH CAROLINA**

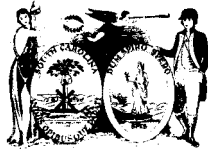
**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1998  
AC# 3-LRS-J7**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 12, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Loris Hospital District d/b/a Loris Extended Care Facility, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. The management of Loris Hospital District d/b/a Loris Extended Care Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

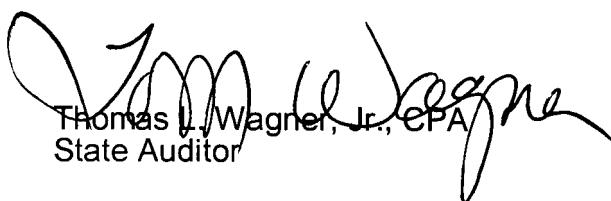
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Loris Hospital District d/b/a Loris Extended Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Loris Hospital District d/b/a Loris Extended Care Facility dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
March 12, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1998  
AC# 3-LRS-J7

	<u>10/01/98- 11/30/98</u>	<u>12/01/98- 09/30/99</u>
Adjusted reimbursement rate	\$97.68	\$98.43
Interim reimbursement rate (1)	<u>97.51</u>	<u>98.26</u>
Increase in reimbursement rate	\$ <u>.17</u>	\$ <u>.17</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period October 1, 1998 Through November 30, 1998  
AC# 3-LRS-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.88	\$46.64	
Dietary		12.47	9.93	
Laundry/Housekeeping/Maint.		<u>8.86</u>	<u>8.11</u>	
Subtotal	\$ <u>-</u>	72.21	64.68	\$64.68
Administration & Med. Rec.	\$ <u>-</u>	<u>15.44</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		87.65	<u>\$75.58</u>	75.58
<u>Costs Not Subject to Standards:</u>				
Utilities		2.54		2.54
Special Services		-		-
Medical Supplies & Oxygen		5.72		5.72
Taxes and Insurance		.40		.40
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$96.36</u>		84.29
Inflation Factor (3.60%)				3.03
Cost of Capital				10.11
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$97.68</u>

# LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Computation of Adjusted Reimbursement Rate  
For the Contract Periods December 1, 1998 Through September 30, 1999  
AC# 3-LRS-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$50.88	\$46.64	
Dietary		12.47	9.93	
Laundry/Housekeeping/Maint.		<u>8.86</u>	<u>8.11</u>	
Subtotal	\$ <u>-</u>	72.21	64.68	\$64.68
Administration & Med. Rec.	\$ <u>-</u>	<u>15.44</u>	<u>10.90</u>	<u>10.90</u>
Subtotal		87.65	<u>\$75.58</u>	75.58
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Utilities		2.54		2.54
Special Services		-		-
Medical Supplies & Oxygen		5.72		5.72
Taxes and Insurance		.40		.40
Legal Fees		<u>.05</u>		<u>.05</u>
<b>TOTAL</b>		<u>\$96.36</u>		84.29
Inflation Factor (3.60%)				3.03
Cost of Capital				10.11
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$98.43</u>



**LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LRS-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	<u>Adjusted Totals</u>
General Services	\$1,632,574	\$ -	\$ 6,462 (1)	\$1,626,112
Dietary	589,195	-	190,698 (1)	398,497
Laundry	39,218	-	9,603 (1)	29,615
Housekeeping	185,063	-	30,336 (1)	154,727
Maintenance	91,469	7,396 (1)	-	98,865
Administration & Medical Records	455,171	38,343 (1)	-	493,514
Utilities	83,983	-	2,713 (1)	81,270
Special Services	-	-	-	-
Medical Supplies & Oxygen	222,565	-	39,624 (1)	182,941
Taxes & Insurance	6,926	5,770 (1)	-	12,696
Legal Fees	-	1,750 (1)	-	1,750
Cost of Capital	281,237	2,464 (2)	3,957 (1)	323,046
	<u>                    </u>	<u>43,302</u> (3)	<u>                    </u>	<u>                    </u>
Subtotal	3,587,401	99,025	283,393	3,403,033

**LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY**

Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LRS-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Ancillary	42,417	-	2,790 (1)	39,627
Non-Allowable	130,603	97,822 (1)	2,464 (2)	182,659
	<u>          </u>	<u>          </u>	<u>43,302 (3)</u>	<u>          </u>
Total Operating Expenses	<u>\$3,760,421</u>	<u>\$196,847</u>	<u>\$331,949</u>	<u>\$3,625,319</u>
Total Patient Days	<u>31,958</u>	<u>-</u>	<u>-</u>	<u>31,958</u>
TOTAL BEDS	<u>88</u>			

# LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY

Adjustment Report  
Cost Report Period Ended September 30, 1997  
AC# 3-LRS-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Maintenance	\$ 7,396	
	Administration	38,343	
	Legal	1,750	
	Taxes and Insurance	5,770	
	Nonallowable	97,822	
	Other Equity	135,102	
	General Services		\$ 6,462
	Dietary		190,698
	Laundry		9,603
	Housekeeping		30,336
	Utilities		2,713
	Medical Supplies		39,624
	Cost of Capital		3,957
	Ancillary		2,790
	To adjust cost centers to amounts per the as filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	2,464	
	Nonallowable		2,464
	To adjust depreciation expense to comply with capital cost policy State Plan, Attachment 4.19D		
3	Cost of Capital	43,302	
	Nonallowable		43,302
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	\$331,949	\$331,949

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**LORIS HOSPITAL DISTRICT D/B/A LORIS EXTENDED CARE FACILITY**

Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1997  
AC# 3-LRS-J7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1814</u>
Deemed Asset Value (Per Bed)	34,069
Number of Beds	<u>88</u>
Deemed Asset Value	2,998,072
Improvements Since 1981	52,991
Accumulated Depreciation at 9/30/97	<u>(590,557)</u>
Deemed Depreciated Value	2,460,506
Market Rate of Return	<u>.067</u>
Total Annual Return	164,854
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	164,854
Depreciation Expense	162,999
Amortization Expense	-
Capital Related Income Offsets	(4,807)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	323,046
Total Patient Days (Actual Days)	<u>31,958</u>
Cost of Capital Per Diem	\$ <u><u>10.11</u></u>

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